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May 1, 2007

VIA HAND DELIVERY

Honorable Ross Johnson, Chairman
and Commissioners Remy, Huguenin, Leidigh and Hodson
Fair Political Practices Commission
428 J Street, Suite 620
Sacramento, CA 95814

RE: Agenda Item #11

Dear Chairman Johnson and Commissioners:

Thank you for the opportunity to address this issue. There is some confusion about what action the Commission should take – indeed, what action the Commission directed staff to take in November 2006 and what action the regulated community that appeared at the recent Interested Persons Meeting thought staff had committed to take. Disappointingly, the staff proposes drafting a regulation in the future and seems reluctant to deal with the narrower issue presented by the sponsor payment of PAC fund-raising expenses issue.

This is to summarize what I have requested. This request reflects not only my views but also the views of a number of persons, groups and PACs whose representatives are likely to address you at the May 10, 2007 meeting on this subject:

(1) Currently, Regulation 18215(c)(16) treats a sponsor's payment of its PAC's general fund-raising expenses as a reportable contribution, but does not impose any limit on the amount of such payments. Currently, *only* the Commission's 2005 *Wilson Advice Letter* and the two 2006 *Bell Advice Letters* contain staff advice that those general fund-raising expenses are subject to the Government Code section 85303(a) limits applicable to "contributions" to PACs "made for the purpose of making contributions to candidates for elective state offices."

(2) If the Commission agrees that a sponsor's payment of its PAC's fund-raising expenses is a "contribution made for purposes *other* than making contributions to state candidates" under Government Code section 85303(c), it can simply rescind the two *Bell Advice Letters* and limit the *Wilson Advice Letter's* "dictum" to the contrary. (We have no problem with

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the key holding of *Wilson* that says that if a PAC or its sponsor pay for fund-raising expenses for a candidate fund raiser held by the PAC, those expenses are subject to the limits of Government Code section 85303(a).)

(3) While it may be useful for the Commission to undertake the broader task of defining the limits of Government Code section 85303, subdivisions (a) and (c), it need not do so to resolve the narrower issue. That issue has been pending now for over a year, and in fairness that issue should be resolved now.

The Commission need not fully define the scope of what is or is not a contribution to a state candidate support PAC subject to contribution limits to determine that a sponsor’s payment of general fund-raising expenses for its sponsored PAC is not a contribution subject to limits.

My recommendation is that the Commission at the May 10, 2007 meeting:

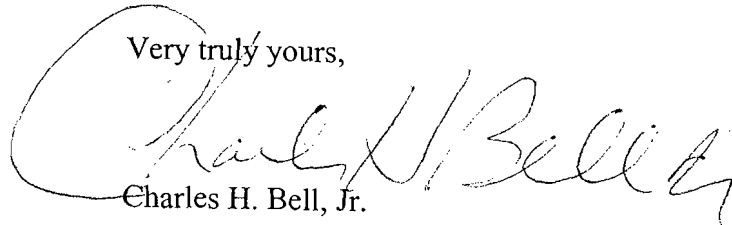
- (1) Direct staff to rescind the two 2006 *Bell Advice Letters*;
- (2) Direct staff to partially rescind (limit) the *Wilson Advice Letter* to its holding, not its dictum, as discussed in paragraph (2) above;
- (3) Provide interim policy direction to staff to advise the regulated public that a sponsor’s payment of the general fund-raising expenses of its sponsored PAC is not subject to the Proposition 34 limits to the PAC. This would not conflict with Regulation 18215(c)(16); and,
- (4) The Commission can then direct the staff either to consider a narrow regulation along the lines of my Proposal A - 18530.10 – or a broader regulation addressing the scope of Government Code section 85303, subdivisions (a) and (c).

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Thank you for your consideration of this letter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Charles H. Bell, Jr.", written in dark ink. The signature is fluid and somewhat stylized, with a large initial "C" and "H".

Charles H. Bell, Jr.

CHB/jg

cc: Scott Hallabrin, General Counsel
Lawrence T. Woodlock, Senior Commission Counsel